



Australian Bureau of Statistics

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THE AUSTRALIAN NOTE ISSUE

In 1901 notes in circulation in Australia consisted of bank notes payable in gold coin and issued by the trading banks, and Queensland Treasury notes. Bank notes circulated in all States except Queensland, but were not legal tender except for a brief period in 1893 in New South Wales. There were, however, some restrictions on their issue or other provisions for the protection of the public. Queensland Treasury notes were issued by the Queensland Government and were legal tender in that State. Notes of both categories continued in circulation until 1910, when the **Australian Notes Act 1910** and **Bank Notes Tax Act 1910** were passed by the Commonwealth Parliament. The **Australian Notes Act 1910** prohibited the circulation of State notes as money and the **Bank Notes Tax Act 1910** imposed a tax of ten per cent per annum on 'all bank notes issued or re-issued by any bank in the Commonwealth after the commencement of this Act, and not redeemed'. These Acts put an end to the issue of notes by the trading banks and the Queensland Treasury. The **Reserve Bank Act 1959** expressly prohibits persons, including from issuing bills or notes payable to bearer on demand and intended for circulation.

Pre-decimal currency notes

The **Australian Notes Act 1910** empowered the Governor-General to authorize the Commonwealth Treasurer to issue Australian notes in denominations of 10s., £1, £5, and £10 and any multiple of £10. These notes were to be legal tender and payable in gold coin on demand at the Commonwealth Treasury at the seat of Government. The Act came into force by proclamation on 1 November 1910 and notes were issued forthwith.

The **Australian Notes Act 1910** vested control of the note issue in the Commonwealth Treasury. In 1920 control of the note issue was transferred from the Treasury to the Commonwealth Bank. A new Note Issue Department under the control of a Notes Board was created for this purpose. In 1924 a Commonwealth Bank Board was established and control of the Note Issue passed from the Notes Board to the new Bank Board. In 1959, when the Reserve Bank was established. Control of the note issue passed to the new Reserve Bank Board.

The **Commonwealth Bank Act 1920** authorized the issue of a 5s. note. However, notes of this denomination have not been issued. As stated above, Australian notes originally issued were payable in gold coin on demand at the Commonwealth Treasury at the Seat of Government. When the control of the Australian Note Issue was transferred to the Note Issue Department of the Commonwealth Bank, it was provided that the notes should bear the promise of the Treasurer to redeem the notes in gold coin on demand at the Head Office of the Commonwealth Bank. By the **Commonwealth Bank Act 1932** this provision was abolished, and since 1932

Australian notes have not contained any such promise and are merely stated to be legal tender throughout the Commonwealth of Australia and the Territories of the Commonwealth.

Between 1910 and the changeover to decimal currency, Australian notes were issued in denominations of 10s., £1, £5, £10, £20, £50, £100, and £1,000. Notes of the £1,000 denomination were never issued to the public but were used initially by banks as a means of effecting inter-bank settlements and later by the Reserve Bank to facilitate internal transfers. The issue to the Public of £20, £50 and £100 notes ceased in 1945. Immediately prior to the changeover to decimal currency, notes in denominations of 10s., £1, £5, and £10 were on issue. All £ 5. d. notes issued prior to the changeover remain legal tender to any amount within Australia until a date to be fixed by proclamation as provided in the **Reserve Bank Act 1965**.

Decimal currency notes

The **Reserve Bank Act 1965** authorized the Bank to issue Australian notes in denominations of \$1, \$2, \$5, \$10, \$20, or \$50, or in any other denomination that the Treasurer, by instrument of writing published in the Gazette, determines. The Act provided that each note of the previous currency should have the value in dollar currency set out in the following table:

10s.	\$1
£1	\$2
£5	\$10
£10	\$20
£20	\$50
£50	\$100
£100	\$200
£1,000	\$2,000

The Act came into force on 14 February 1966, and notes of \$1, \$2, \$10, and \$20 denominations were issued forthwith as legal tender to any amount throughout Australia. A description of these notes is published in Year Book No. 52, page 678.

On 29 May 1967 \$5 notes were issued throughout Australia and the Territory of Papua and New Guinea. The \$5 note was designed by Gordon Andrews, the designer of the other dollar notes already in circulation. On the front is a portrait of Sir Joseph Banks (1743-1820), with an assemblage of Australian flora. Sir Joseph Banks accompanied Captain James Cook on his voyage to Australia in 1770, personally meeting the cost of the scientific equipment and staff that were with him. He collected and wrote about Australian flora and over a long period enthusiastically encouraged and financed others to carry out scientific investigations in Australia in a variety of fields. On the back Mrs Caroline Chisholm is portrayed against a background composed of illustrations of women and children of her time and of ships and Sydney streets of the period. Caroline Chisholm (1808-1877) was a pioneer in encouraging the migration of women and families from England to Australia. The \$5 note, which measures 150-mm by 75-mm, is basically mauve in colour with the main features being overprinted in black. The paper contains a water mark portrait of Captain Cook and an embedded metal thread running down near the centre.

Gold reserve against the note issue

The **Australian Notes Act 1910** provided that the Treasurer should hold, in gold coin, a reserve

of an amount not less than one-fourth of the notes issued up to \$14,000,000 and an amount equal to the excess over \$14,000,000. In 1911 this provision was amended and the Treasurer was required only to hold, in gold coin, an amount not less than one-fourth of the total amount of Australian notes issued. In June 1931, to permit further shipments of gold to meet short-term obligations in London, an amendment to the Commonwealth Bank Act provided for the reduction of the gold reserve for the two years ended 30 June 1933 to not less than 15 per cent. The reserve was to be increased, by graduated steps, to 25 per cent by 30 June 1935. In May 1932 a further amendment to the Commonwealth Bank Act provided that the reserve might be held 'in gold or in English sterling or partly in gold and partly in English sterling'. English sterling was defined as 'currency which is legal tender in the United Kingdom and included (a) balances standing to the credit of the Bank at the Bank of England or at any other of its bankers in London; (b) Bills of Exchange or advances secured by Bills of Exchange) which (i) are payable in the United Kingdom in currency which is legal tender in the United Kingdom; (ii) will mature in not more than three months, and the security for the payment of which bills is, in the opinion of the Bank, satisfactory; and (c) Treasury Bills or other securities of the United Kingdom which will mature in not more than three months'.

The statutory reserve against the note issue was abolished by the **Commonwealth Bank Act 1945** which provided that the assets of the Note Issue Department should be held in gold, on deposit with any bank, or in securities of the Government of the United Kingdom or of the Commonwealth or a State. This provision was continued in the **Reserve Bank Act 1959**.

AUSTRALIAN NOTES IN CIRCULATION, JUNE 1962 TO 1966

(\$'000)

Denomination	Last Wednesday in June				
	1962	1963	1964	1965	1966
\$1 and 10s	25,150	26,276	27,550	28,396	32,204
\$2 and £1	135,880	138,104	141,290	143,308	138,164
\$10 and £5	379,584	386,136	390,728	392,980	369,247
\$20 and £10	307,136	310,578	304,964	297,479	309,713
£20	4	4	4	2	2
£50	60	58	56	45	43
£100	72	64	62	41	41
£1,000	7,680	8,224	5,656	164	..
Held by banks	117,280	125,938	133,710	138,783	154,117
Held by public	738,286	743,506	736,600	723,631	695,298
Total	855,566	869,444	870,310	862,414	849,414

Reserve Bank-Note Issue Department

The following statement shows particulars of liabilities and assets of the Note Issue Department of the Reserve Bank as at 30 June 1965 and 1966.

RESERVE BANK OF AUSTRALIA: NOTE ISSUE DEPARTMENT LIABILITIES AND ASSETS, 30 JUNE 1965 AND 1966 (\$million)

	1965	1966	Assets	1965	1966
Liabilities					
Notes on issue (a)	862.4	835.3	Gold and balances held abroad (including money at short call)	381.1	435.0
Special Reserve-	9.5	9.5	Other overseas securities	174.1	134.8
Premium on gold sold					

Other liabilities (a)	21.3	21.5	Government securities (including Commonwealth Treasury bills)	337.8	296.2
Total	893.2	866.2	Total	893.2	866.2

(a) Notes of a denomination not exceeding one pound which have been on issue for more than twenty years and notes of a denomination exceeding one pound which have been on issue for more than forty years are not included in the item Notes on issue but are included in the item Other liabilities.

Until June 1951 all profits of the Note Issue Department, with the exception of \$4,000,000 and \$2,400,000 paid to the capital accounts of the Rural Credits Department and Mortgage Bank Department respectively, were paid to the Commonwealth Consolidated Revenue Fund. For the years 1951-52 to 1955-56 the profits were distributed as follows: (a) \$1,000,000 per annum to the capital accounts of the Commonwealth Trading Bank (prior to 3 December 1953 the General Banking Division of the Commonwealth Bank) and the several departments of the Commonwealth Bank, distributed two-sevenths each to the Commonwealth Trading Bank, Mortgage Bank Department and Industrial Finance Department and one-seventh to the Rural Credits Department, and (b) the balance to the Commonwealth Consolidated Revenue Fund. Since 1955-56 the profits have been paid to the Commonwealth Consolidated Revenue Fund. Profits of the Note Issue Department in 1965-66 amounted to \$31,070,000.

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